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ABSTRACT

Efforts to improve career outcomes for youth in the United States and Organisation for Economic Cooperation and Development (OECD) countries were reviewed. The review focused on the following topics: trends in the employment and schooling levels of youth in OECD countries; the emerging consensus on preparing all youth for careers; and approaches for dealing with disadvantaged youth. A strong consensus that close institutional links between industries and schools are critical to improving career outcomes appeared to be emerging in most OECD countries. Most countries were moving to strengthen vocational education, especially work-based programs leading to certification and involving work-based and contextualized learning. Although standard training programs for disadvantaged out-of-school youth were rarely effective, the experience with job creation demonstrations was somewhat more positive. Programs closely linked with industry sectors and programs offering realistic pathways to careers appeared promising. The following were among the guidelines presented for new school-to-career demonstrations: (1) emphasize programs to help young people develop careers

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rather than to simply find employment; (2) promote entry into existing apprenticeship programs and expand apprenticeship into new arenas; and (3) continue to provide options for community service employment but require sponsors to do better in linking graduates to future education, certification, and career options. (Contains 58 references.) (MN)

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Improving Career Outcomes for Youth: Lessons from the U.S. and OECD Experience

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Improving Career Outcomes for Youth:

Lessons from the U.S. and OECD Experience

Robert I. Lerman

The Urban Institute

July 2000

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Abstract

High youth unemployment and weak systems of career preparation are continuing concerns for modern societies. Over the last two decades, youth unemployment has become less of a priority issue in the United States, as policymakers increasingly focus on the quality of education and training. Other members of the Organization for Economic Cooperation and Development (OECD) are continuing to emphasize the problem of youth joblessness even among workers in their early 20s. This paper reviews the lessons from the experience in the United States and other OECD countries about the diagnosis of these problems and what policies have worked to help young people obtain jobs and enter productive careers.

Executive Summary

Preparing young people for the job market is a critical task for all modern societies. The primary objectives of most countries are: 1) to give all young people the opportunity to attain their career potential while meeting the demands of the labor market and 2) to minimize the number of youth who experience long-term joblessness or poor career outcomes. Critical to a nation's success in achieving both goals is an effective education and training system for all young people, as well as sound programs targeted to the structurally unemployed and economically disadvantaged young people.

In the U.S., between the 1970s and the 1990s, policymakers shifted their concerns from high youth unemployment toward the broader issue of how best to prepare all youth for careers. These concerns have led to an increased emphasis on academic standards and efforts to strengthen the nation's system of linking schooling with careers. Other countries in the Organization for Economic Cooperation and Development (OECD) also focus on career preparation, the school-to-work transition, and the special problems of the disadvantaged. However, rising youth unemployment is taking on increased importance in many OECD countries, partly because of the sharp increases in youth unemployment over the last two decades.

In an effort to draw on lessons from experiences in the U.S. and other OECD countries, this paper describes the trends in youth employment, schooling, and training; examines alternative approaches for preparing youth for careers; discusses the special initiatives in OECD countries aimed at helping at-risk youth; and considers the implications of these findings for future approaches in the U.S.

This paper draws heavily on the OECD-sponsored conference held in early 1999 and focuses on four key questions.

1. What are the trends and patterns of youth employment and career preparation in the U.S. and how do they compare with those in other OECD countries?

2. How well do various OECD countries prepare most young people for careers? In particular, what is the role of vocational education, training, and work-based learning in the U.S. and various OECD countries?

3. What special initiatives have the U.S. and other OECD countries used to help economically disadvantaged and at-risk youth? How well have they succeeded?

4. What are the implications of the findings about youth problems and programs in OECD countries for U.S. youth policies and promising new initiatives that could be tested in a U.S. context?

Youth Employment Trends in the U.S. and Other OECD Countries

The most important trend in the career preparation of youth across OECD countries is the rising level of formal education. In the OECD as a whole, the proportion of 18 year-olds attending school rose from about 50 percent to 67 percent between 1984 and 1997; for 22-year-olds, school attendance jumped from 20 percent to 34 percent. Along with the rise in schooling is a decline in the proportion of youth neither attending school nor employed; between 1984 and 1997 this percentage fell from 16.5 percent to 11 percent among 18 year-olds and from 22.8 percent to 17.3 percent among 22 year-olds.

In many countries, the added schooling was a response to a negative trend, the worsening scarcity of jobs and accompanying unemployment. While OECD youth unemployment rates jumped substantially, job conditions for youth and unemployment trends have varied widely, with especially high rates experienced by France, Italy, Spain, and Greece and relatively low youth unemployment rates in Germany and Japan. Declines in youth employment in some European countries are striking. In France, for example, the employed share of 20 to 24 year-old men showed an astonishing decline from 74 percent in 1979 to 41 percent in 1997.

Young people in the U.S. are also increasingly likely to attend school and to complete at least some college. The proportion of 18 to 24 year-olds attending institutions of higher education rose from 32 percent in 1990 to 37 percent in 1998. Still, youth labor force participation remained stable, largely because of the rise in the share of students working or looking for work. Joblessness among young people has fallen to long-term lows as well. Black youth have increasingly found jobs; the unemployment rate of 20 to 24 year-old black workers fell from about 19 percent in 1989 to about 14 percent by the end of 1999. Nevertheless, some minority and disadvantaged groups of youth experience high unemployment.

Several OECD countries face major challenges in dealing with economically disadvantaged youth. As of 1996, 38 percent of the young unemployed had been without a job for at least a full year (Nicaise, 1999). In an editorial in the 1999 *Employment Outlook*, the OECD reports, "A hard core of young people experience prolonged periods of unemployment or joblessness interspersed with spells of low-wage employment. This group exists in most OECD countries and is characterized by multiple disadvantages, e.g., they often come from poor families, unstable family backgrounds, live in communities with high overall unemployment, tend to perform poorly in school, and often drop out of school early."

Concentrated poverty adds to the problems partly by weakening the ability of schools to raise educational outcomes. Poor school outcomes for some youth can ultimately bring down others, as peer pressure works against those trying to succeed. Weak career prospects of youth heighten social problems, such as high rates of unwed motherhood among young women. The geographically concentrated nature of these problems makes them hard to resolve on an individual basis. Low skills contribute much to the U.S. problem. Nearly 25 percent of 16 to 25 year-old U.S. youth scored in the lowest literacy group, a rate several times higher than Germany (5 percent), Belgium (6 percent), Netherlands (6 percent), Sweden (3 percent), and Australia (10 percent).

Preparation for Careers in OECD Countries

Approaches to the preparation of young people for careers continue to vary widely across OECD countries. Several OECD countries—including Germany, Austria, Denmark, Luxembourg, and Switzerland—use a dual system of employer-based apprenticeship and school-based vocational education. These countries use formal systems with recognized occupational qualifications for most of the young people who do not complete universities and even for some who do attend universities. Employers in these countries typically use the vocational qualifications embedded in the apprenticeship system to organize their jobs, recruit and retain their work force, and plan their training. The majority of young people focus on the attainment of occupational credentials; only a minority emphasize educational degrees as the primary vehicle for entering careers.

In contrast, other countries give priority to educational credentials. In these countries, youth are often judged based on their performance along an academic hierarchy. But educational credentials are often general, typically leaving only a loose relationship between education and specific jobs. Within the many countries emphasizing educational credentials, one group, including France, Italy, and Spain, provides a good deal of vocational education but with few solid linkages with employers. In these countries, youth unemployment rates are extremely high and high school students rarely combine work and schooling.

Japan is distinctive in relying on schools to sort students and on employers to provide occupational training (Mitani 1999). Sorting takes place as students enter one of several types of high schools. Firms give job offers to schools according to the rankings of the schools. Schools recommend students to employers, who rarely reject the school recommendations. This policy gives teachers a major influence on student career outcomes and gives even students not planning on post-secondary education an incentive to perform well in high school. Having learned enough in school to earn a recommendation, the student is prepared for the extensive training provided by employers.

The U.S. system is decentralized, offering only a modest and decreasing amount of school-based vocational education. Mechanisms for job-matching and training for occupational qualifications are informal and complex. However, like Canada, Japan, and Sweden, post-secondary education is relatively open, providing an incentive for young people to finish high school, especially since high schools do not offer work-based qualification alternatives. The system is also similar to that of Australia, New Zealand, and the United Kingdom, which all use upper secondary education mainly to identify and prepare candidates for university education.

The U.S. lacks well-recognized standards and meaningful credentials for vocationally-specific skills (Hamilton and Hamilton 1999). And, unlike Japan, no self-reinforcing mechanism operates in the U.S. to align the incentives of students, schools, and employers in ways that encourage students to work hard in school and give employers strong incentives to provide in-depth training for young, entry-level workers. The U.S. does have a flexible labor market in which people can move smoothly from one job to another, in which firms face few mandates that discourage hiring, and in which students can gain general work experience by taking part-time

jobs while attending school. U.S. students have access to a continuum of post-secondary educational alternatives, including community colleges, state colleges, and selective state and private universities. They can move in and out of school almost at will. Unfortunately, while many gain valuable work experience in the process, few take jobs linked closely with their schooling (Haimson, Hersey, and Silverberg 1998) and the majority of the cohort (perhaps 60 percent) end up with no meaningful qualification beyond a general high school diploma.

In the OECD as a whole, there is a broad recognition of the positive aspects of employer-based training, especially apprenticeships. As a result, several OECD countries are strengthening their career-oriented education and training systems. Norway, France, Ireland, the United Kingdom, and Australia have all taken steps to upgrade and to expand the amount of employer-based training in preparation for careers. In most cases, the emphasis is on programs with a significant apprenticeship or other employer-based training components.

The emerging OECD consensus on the value of apprenticeship programs is increasingly supported by policymakers and academic observers. Ryan (1999) stated in his closing remarks at the OECD conference that the German mass apprenticeship system is a leading example of institutional success. Gains for youth come in the form of lower joblessness and greater access to skilled work; the economy generates high stocks of intermediate skills vital to productivity. The key question posed by Ryan is not whether an apprenticeship system can be effective in modern economies, but whether national institutions can be developed to provide the infrastructure for such a system.

Initiatives Aimed at High-Risk Youth

Interventions aimed directly at improving outcomes for at-risk youth have yielded mixed results. Short-term training programs in the U.S. have failed to yield increases in employment and earnings of disadvantaged youth, but long-term interventions show more promise. Encouraging out-of-school youth to return to the educational system proved ineffective in some U.S. demonstrations, but the results look more promising in the Nordic countries. In Norway, special follow-up services involve school counselors, the public employment service, and health and welfare agencies. The program attracts youth using a combination of a trainee position within a firm (involving subsidized employment and/or on-the-job training) and schooling. Denmark, the Netherlands, and the United Kingdom are reaching unemployed youth by requiring active steps toward employability, such as training, subsidized work, and job search, as a condition of benefit receipt.

Job creation schemes for youth are common in the U.S. as well as other OECD countries, including France, the Netherlands, New Zealand, Austria, Italy, and the United Kingdom. Although few U.S. programs have documented long-term gains for youth, the benefits of youth job programs often outweigh the costs, as in the Youth Service Corps. Such programs seem to result in only modest substitution of public for private jobs, and they create useful public outputs,

with dollar value estimates that can be defended. Moreover, direct job creation toward a community purpose also leaves participants with a great deal of satisfaction and with a credible reference. Evaluations of several OECD jobs initiatives show mixed results at best. In France, young participants in subsidized nonprofit jobs actually did worse in terms of earnings than they would have had they spent time unemployed before finding a regular position. In a study of a Swedish work program, evaluators again found evidence for a lock-in effect keeping youth in subsidized jobs when some would have found regular positions. One promising strategy, highlighted at the OECD conference, is the Danish production school model. These schools integrate work and learning by providing training in the context of production, classroom education, and guidance. While no formal evaluations are available, most participants found their way into constructive activities.

Lessons from OECD Program Experience

A strong consensus is emerging in most OECD countries that close institutional links between industries and schools are critical to aligning incentives of employers and youth so that employers are encouraged to hire and train students in career-oriented positions and students are encouraged to do well in school. Most countries are moving to strengthen vocational education, especially work-based programs that lead to a certification and involve work-based and contextualized learning. In fact, the U.S. is one of the few countries not taking aggressive steps to promote apprenticeships.

The lessons from programs outside the mainstream education and labor market systems are clearer from the U.S. experience. Programs closely linked with industry sectors and those that offer realistic pathways to careers look promising. Industry-specific linkages allow organizations to tailor their training to real jobs and careers and to make good on promises to participants. This, in turn, increases the incentive for participants to perform well. One industry-focused initiative involves developing certifications in 16 industry clusters.

From the perspective of the U.S. Government Accounting Office (GAO) (1996) and the U.S. Department of Labor (1995), the key elements for program success are:

- making sure participants are committed to training and getting a job;
- removing geographic, attitudinal, family, and other barriers to finding and keeping a job;
- improving the skills employers require of all workers, such as dependability, working in teams, taking instruction, and resolving conflicts sensibly;
- linking occupational skills training with the job market to make sure that employers can absorb successful graduates;
- integrating basic skills training with occupational training so that participants can learn by doing and can see the relevance of their skills; and

- using individual case management to mentor participants and to help them overcome temporary setbacks.

The lessons stated by Grubb (1999) and highlighted in the 1999 *OECD Employment Outlook* are to:

- understand the local labor market and target the jobs and careers with the most potential for growth and advancement;
- develop an appropriate mix of academic (including basic or remedial) education with occupational skills and work-based learning, insuring the intensity of the academic and vocational education is appropriate to the jobs targeted;
- provide appropriate supportive services, including child care, counseling, and placement services;
- ensure that students have pathways to further education; and
- collect information about results and use the findings to improve quality.

Based on the experience of OECD countries, policymakers should recognize the following principles in developing future programs and demonstrations for youth.

- recognize the full context of an individual young person's environment and aspirations, not simply the labor component.
- emphasize programs that can help young people develop careers and not simply employment. Use a combination of academic and employer-based training linked to a skill certification.
- continue to provide options for community service employment, but require sponsors to do better in linking graduates to future education, certification, and career options.

The paper concludes by recommending examples of demonstrations that follow these principles.

Introduction

Preparing young people for the job market is a critical task for all modern societies.

Governments play a central role in this process primarily by operating the public educational

system but also through programs aimed directly at linking young people to employment. Most countries are trying to achieve two distinct, though related, objectives. The first is to give all young people the opportunity to attain their career potential while meeting the demands of the labor market. The second is to minimize the number of youth who experience long-term joblessness or poor career outcomes. Critical to a nation's success in achieving both goals is an effective education and training system for all young people, as well as sound programs targeted on the structurally unemployed and economically disadvantaged young people.

In the 1960s and 1970s, the U.S. federal government focused primarily on the second problem how to improve the life chances of disadvantaged youth. President Lyndon Johnson made raising the opportunities of low-income youth a major component of his War on Poverty. The high youth unemployment of the mid-1970s, especially the 40 percent unemployment rates of black youth, motivated Congress to pass the Youth Employment Demonstrations Projects Act (YEDPA) and to spend billions of dollars to determine what works best for disadvantaged youth. By the 1980s and 1990s, U.S. policymakers turned toward the broader issue of how best to prepare all youth for careers. The publication of *A Nation at Risk* drew attention to the weak levels of academic skills of American students and the risks posed to the U.S. economy. Two other reports, *America's Choice: Low Skills or High Wages?* and *The Forgotten Half*, argued that the structure of the U.S. educational system and its weak links to careers were the cause of the serious problems facing the large share of youth who do not obtain college degrees. These concerns have led to an increased emphasis on academic standards and to efforts to strengthen the nation's system of linking schooling with careers. In 1994, Congress passed the 1994 School to Work Opportunities Act (STWOA) to stimulate states to reshape the way their educational systems help young people prepare for the job market. As of the late 1990s, the focus is on the

career preparation of all youth (especially those who do not earn BA degrees) and on the futures of disadvantaged youth; there is less emphasis on youth unemployment as a distinct problem.

Other countries in the Organization for Economic Cooperation and Development (OECD) also focus on career preparation, the school-to-work transition, and the special problems of the disadvantaged. However, while youth unemployment has become less of a priority issue in the U.S., rising youth unemployment is taking on increased importance in many OECD countries. The striking shift is due partly to the reversal of positions in the experience of youth unemployment over the last two decades. In 1979, the unemployment rates of 16 to 19 year-olds and 20 to 24 year-olds were higher in the U.S. than in other OECD countries. Males in their early 20s faced an 8.7 percent unemployment rate in the U.S. as compared to the 8.3 percent rate in the OECD as a whole. By 1997, the rate of unemployment of 20 to 24 year-old men had jumped to 13.4 percent in OECD countries but remained at about the same level in the U.S. Indeed, by 1999, the U.S. unemployment rate of 20 to 24 year-olds men had declined to under 8 percent. On the other hand, young workers in the U.S. were much more likely to experience low earnings than young workers in other OECD countries.[1]

The continuing salience of youth issues led the OECD to sponsor a conference, "Preparing Youth for the 21st Century: The Transition from Education to the Labour Market," in February 1999 and to publish a conference volume of the papers presented. The conference took place about two decades after a 1977 high-level OECD conference on youth unemployment. At that point, hopes were high that economic growth, demographic trends, and targeted programs would gradually substantially reduce the youth unemployment problem. Unfortunately, despite

[1] The data in this paragraph come from Bowers, Sonnet, and Bardone (1999).

the declining share of youth in the labor force and an array of youth program initiatives, weak transitions from school to careers and high youth unemployment remain serious problems in most OECD countries. The goals of the 1999 conference were to update the diagnosis of these problems and to determine what policies have and have not worked in helping young people enter productive careers.

Now is a good time for U.S. policymakers to draw on the lessons from this conference and related evidence about the experience of other countries. The National Evaluation of the Job Training Partnership Act (JTPA) produced disappointing estimates of the impacts of these interventions on the earnings and employment of disadvantaged youth. With the shift from JTPA to the Workforce Investment Act (WIA) has come new flexibility in the use of youth funds formerly allocated to the Summer Youth Employment Program. New findings from a major Job Corps evaluation are about to come out. Other youth initiatives have a mixed record, with only selected local programs (such as the Quantum Opportunity Program and the Center for Employment Training, CET) documenting robust and significant gains. Funding for the School-to-Work Opportunities Act is now on a downward trend, as the five-year investments in state and local infrastructure phase out. New funding under the Youth Opportunity Grants will soon be reaching 30 high-poverty areas in an effort to saturate targeted low-income communities with services to improve job market and other outcomes for young people.

Reviewing the U.S. experience in light of the trends and practices in other countries is a worthwhile enterprise for several reasons. First, examining the international patterns of youth transitions and employment aids in the understanding of U.S. trends. Second, learning about programs in other countries expands the scope of policy options that can be considered in the

United States. Third, considering the experiences of initiatives in other countries widens the findings about what may or may not prove effective. Fourth, assessing the relevance of international approaches requires us to gain knowledge about the institutional and labor market contexts in other countries.

This paper examines four key questions about youth trends and policies from an international perspective:

1. What are the trends and patterns of youth employment problems in the U.S. and how do they compare with those in other OECD countries?
2. How well do various OECD countries prepare most young people for careers? In particular, what is the role of vocational education, training, and work-based learning in the U.S. and various OECD countries?
3. What special initiatives have the U.S. and other OECD countries used to help economically disadvantaged and at-risk youth? How well have they succeeded?
4. What are the implications of the findings about youth problems and programs in OECD countries for U.S. youth policies and promising new initiatives that could be tested in a U.S. context?

The next section reviews the findings in the OECD conference volume and from other sources on the changing nature of problems relating to youth in the job market. Then, we consider differences across countries in the approaches used to prepare most youth for careers and in the special programs aimed at helping disadvantaged youth. The paper concludes with ideas for new demonstrations aimed at helping young people in general as well as disadvantaged youth.

1. Trends in the Employment and Schooling Levels of Youth in OECD Countries

OECD Countries and Youth Employment

The most important trend in the career preparation of youth across OECD countries is the rising level of formal education. In the OECD as a whole, the proportion of 18 year-olds

attending school rose from about 50 percent to 67 percent between 1984 and 1997; for 22-year-olds, school attendance jumped from 20 percent to 34 percent. Along with the rise in schooling is a decline in the proportion of youth neither attending school nor employed; between 1984 and 1997 this percentage fell from 16.5 percent to 11 percent among 18 year-olds and from 22.8 percent to 17.3 percent among 22 year-olds.

In many countries, the added schooling was a response to a negative trend, the worsening scarcity of jobs and accompanying unemployment[2]. The average (unweighted) OECD unemployment rate of 20 to 24 year-olds rose from 8.3 percent in 1979 to 13.4 percent in 1997. However, job conditions for youth and unemployment trends have varied widely. France, for example, saw a tripling of the unemployment rate of 20 to 24 year-old men from 7.8 percent in 1979 to 25.4 percent in 1997. Italy, Spain, and Greece are the other OECD countries whose young men are experiencing unemployment rates over 20 percent. While recent unemployment rates are much lower for this group in Germany and Japan, joblessness worsened considerably in both countries between 1979 and 1997. In Germany, youth unemployment rates jumped from 3.2 percent in 1979, or about one-third the U.S. rate, to 11.2 percent in 1997, two points over the U.S. rate.

The declines in youth employment in many European countries are equally striking. In France, for example, the employed share of 20 to 24 year-old men showed an astonishing decline from 74 percent in 1979 to 41 percent in 1997. Italy, Spain, and Sweden experienced similar reductions, but Germany, the UK, and Austria did not. The proportion holding jobs actually rose in Norway from 60 percent to 72 percent. The precise extent to which employment reductions

[2] For an analysis of the disparities in youth unemployment among OECD countries, see Marchand (1999).

resulted from longer schooling is difficult to determine, partly because a weak job market encourages young people to stay longer in school.

Several OECD countries face major challenges in dealing with economically disadvantaged youth. As of 1996, 38 percent of the young unemployed had been without a job for at least a full year (Nicaise, 1999). In an editorial in the 1999 *Employment Outlook*, the OECD reports, "A hard core of young people experience prolonged periods of unemployment or joblessness interspersed with spells of low-wage employment. This group exists in most OECD countries and is characterized by multiple disadvantages, e.g., they often come from poor families, unstable family backgrounds, live in communities with high overall unemployment, tend to perform poorly in school, and often drop out of school early." About one in five unemployed youth live in households with no one else working. The 25 percent of young people in the OECD who fall short of attaining a high school diploma face especially serious problems in finding and holding jobs.

U.S. Youth Employment and Schooling Patterns

Like their counterparts in other OECD countries, young people in the U.S. are increasingly likely to attend school and to complete at least some college. As of 1998, 62 percent of 18 to 19 year-olds and 45 percent of 20 to 21 year-olds were enrolled in school, much higher levels than the 46 and 31 percent figures observed for 1980. Even one in four 22 to 24 year-olds were attending school in 1998, up from only one in six in 1980. The proportion of 18 to 24 year-olds attending institutions of higher education rose from 32 percent in 1990 to 37 percent in 1998.[3]

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[3] These numbers and those in the next paragraph come from U.S. Bureau of the Census (1999).

The expanding share of students was counterbalanced by an increase in rates of labor force participation by students, resulting in a stable overall youth labor force participation rate. Among 16 to 24 year-olds, labor force participation rates remained constant over the 1980 to 1997 period at 82 percent for those not enrolled, but increased for the enrolled group from 47 to 51 percent. Employment rates among in-school youth have trended upward, almost entirely because of the increasing employment of college students. Full-time college students have raised their employment rates from 40 percent in 1980 to over 50 percent in late 1999.

Youth unemployment has declined since the mid-1980s in spite of the fact that students make up a rising share of young workers. The declines in unemployment in the U.S. to 30-year lows have extended to virtually all groups, including less-educated and young workers. As of late 1999, adult high school graduates with no college education (ages 25 and over) experienced only a 3.5 percent unemployment rate; among adult high school dropouts, the unemployment rate was about 6.5 percent.[4] Joblessness among young people has fallen to long-term lows as well. The unemployment rate of 20 to 24 year-olds stood at 7.4 percent, well below the over 11 percent rates of late 1990 and 1991 and below the 8.5 to 9 percent rates of the 1979 and 1989 peaks in the business cycle. Among 16-19 year to olds, unemployment rates fell from over 20 percent in 1991 to about 14 percent in late 1999. The employed share of each age group increased as well, to 72 percent of 20-24 year to olds and 45 percent of 16 to 19 year-olds. Black youth have increasingly found jobs; the unemployment rate of 20 to 24 year-old black workers fell from about 19 percent in 1989 to about 14 percent by the end of 1999.

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[4] However, the employed share of adult high school dropouts has reached only 40 percent, well below the 72 to 78 percent levels of the college-educated population.

Although some employment gains have extended to the most chronically unemployed groups of minority youth, these groups' high joblessness levels remain troubling. In October 1998, out-of-school black 16 to 24 year-olds experienced a 17 percent unemployment rate. Only about one in three black high school dropouts in this age group was working. While black young women have achieved record levels of employment in the tight U.S. economy, black young men have not attained the employment levels reached in earlier upturns. Between 1995 and 1999, black men in their early 20s actually saw their employment go down, as the proportion of this population holding jobs declined from 61 percent to 59 percent. Unemployment rates of black 20 to 24 year-old men did decline sharply from the 24 percent levels in 1991 and 31 percent levels of 1982 and 1983, but remained above 15 percent in the context of a national unemployment rate of 4 percent. The transitions to stable employment extend to the late 20s and early 30s for black men. By the time they reach ages 25 to 34, black men face a 7 percent unemployment rate, less than half the 15 percent rate experienced by black men in their early 20s.[5]

Though not discussed in the OECD report, the high rates of joblessness of disadvantaged youth have serious social as well as economic implications, especially in the U.S.. William J. Wilson (1987) sees the unfriendly job market for black young men as the underlying cause of the rising rates of mother-headed families and a growing underclass.[6] To Elijah Anderson (1993, 1994), the alienation associated with what he calls "endemic joblessness" has led to an oppositional street culture that can even engulf young people from "decent" homes. Unable to

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[5] Unemployment among black men declines further with age. The unemployment rate of 35 to 44 year-olds was 5.1 percent as of late 1999.

[6] For a competing view, see Lerman (1989).

gain self-respect through solid performance at school or on the job, street youth (especially young men) prove their manhood by showing their peers that they can conquer women sexually or steal something from another and flaunt it.

Concentrated poverty adds to the problems partly by weakening the ability of schools to raise educational outcomes. Poor school outcomes for some youth can ultimately bring down others, as peer pressure works against those trying to succeed (Ogbu 1990). The declining wages of less skilled men and even high school graduates further reduces the attraction of working hard to do well in high school, especially in a peer culture that takes a short-term view of life. The effects on schooling and jobs are disastrous. According to Bound and Freeman (1992), the rising share of black dropouts with criminal records may have accounted for 70 percent of decline in employment rates between 1979 and 1989.

Weak career prospects add to other social forces in generating high rates of unwed motherhood among young women. About one-third of young black women become unwed mothers by the age of 21. The rates are no doubt higher in the inner city. The high and rising share of children living with never-married mothers has been a principal source of increased child poverty over the last two decades (Lerman 1996). Moreover, children growing up in homes headed by low-income, never-married mothers are at a high risk of not completing high school and engaging in crime.

The geographically concentrated nature of these problems makes them hard to resolve on an individual basis. On the positive side, geographic targeting can be more cost-effective in this context. Just as problem behaviors by one inner-city youth can generate negative externalities, successful community programs can produce positive externalities. One initiative building on

the concept of geographic concentration is the Youth Opportunity Grant program under the Workforce Investment Act. The grants would help communities serve all youth in selected low-income neighborhoods.

Among the causes of the high rates of joblessness among low-income and minority youth is the high proportion of young people with low basic skills. Lynch (1999) reports that one in five employed 16 to 24 year-old workers have such minimal math skills that they can barely add two numbers together. Less than half of all young people have the ability to write a convincing letter and to read critically. International comparisons provided by Freeman (1999, p.99) show nearly 25 percent of 16 to 25 year-old American youth in the lowest literacy group, a rate several times higher than Germany (5 percent), Belgium (6 percent), Netherlands (6 percent), Sweden (3 percent), Canada (10 percent), and Australia (10 percent).

The high rate of job instability in the U.S. is another potentially serious problem affecting young workers. The typical member of the youth cohort going through high school in the late 1970s averaged almost nine jobs between the ages of 18 and 32, including an average of nearly three jobs per worker over the 28 to 32 age range. Although some of the job mobility is part of a productive process of matching workers and employers (Heckman 1999; Topel and Ward 1992; Neal 1999), a recent analysis by Holzer and LaLonde (1999) finds that early employment instability reduces employment among high school dropouts in their 30s. In another recent paper, Gardecki and Neumark (1998) find only modest evidence that job stability among young workers contributes to their long-term success. Still, the weight of the evidence points toward instability as a negative experience that ultimately leads to somewhat higher unemployment over one's career (see Stern 1999 and Lynch 1999). Moreover, while youth unemployment in the U.S.

rarely lasts more than a few months, the frequent movement between jobs weakens the incentive of employers to offer training and sometimes results in less rewarding careers.

The relatively low average job tenure in the U.S. extends beyond youth. In 1995, the mean job tenure was 7.4 years in the U.S., well below the 9.7 years in Germany, the 10.4 years in France, and the 11.6 years in Japan. Although long job tenure can be partly the result of unproductive labor market rigidities, retaining a large share of workers helps promote employer-sponsored training, including general training.[7]

The limited ability of young workers in the U.S. to obtain permanent jobs upon leaving school markedly slows their transitions from school to work. The proportions of high school graduates not working at one, three, and five years after graduating were 28 percent, 22 percent, and 14 percent respectively (Bowers et al. 1999). In Germany, only 12 percent of young men at a similar educational level were not working one year after leaving school; by three years after leaving school, the nonemployed amounted to only 4 to 5 percent of the cohort. Still, the jobless youth in the U.S. rarely face more than three months in unemployment; only 20 percent of unemployed 20 to 24 year-olds experienced such long-term unemployment in 1998. In fact, the median unemployed young adult spent less than six weeks actually unemployed (Lynch 1999).

The combination of a significant share of youth poorly prepared academically and the weak connections between schools and employers contribute to the low earnings levels of young adults not completing a BA. Moreover, the shortfalls in initial skill preparation are not offset by

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[7] We discuss this point in more detail, as well as its implications for employer recruitment of young workers for permanent jobs below.

high levels of employer-sponsored training. As Lynch (1999) points out, those with more schooling are more likely to obtain employer training while the less skilled fall further behind.

Differences Between the U.S. and Other OECD Countries in the Payoff to Education

Young people are increasingly preparing for careers by extending their years of formal education. While adding years of education is certainly good for the individual, the impact on all youth is less certain. Questions about the payoff to additional education arise more frequently in the European countries than in the U.S. To quote Ulrich Teichler,

> A controversial debate began as to whether the educational expansion leads to 'over-education,' whether employers continue to prefer highly-educated persons, and whether the supply beyond immediate demand serves long-term demands and innovation in the employment system (1999, p. 230).

The data on unemployment by the education of workers in their late 20s reveal much larger gains from education in the U.S. than in several OECD countries. As of 1996, U.S. men ages 25 to 29, with at least some college faced only a 4 percent unemployment rate, less than half the rate in the OECD as a whole and only one-third the rate of college-educated French young men. In contrast, the cross-country gap in joblessness is quite low among the less-educated. Even in their late 20s, about 16 percent of male high school dropouts were unemployed in the U.S. in 1996, about the same rate as in other OECD countries.

The widely cited and well-documented increases in the returns to education and in the widening earnings differential between college-educated and high school-educated workers are unusually significant in the U.S. Between 1979 and 1997, the ratio of usual weekly earnings of 25 to 29 year-old college graduates to high school graduates rose from 1.12 to 1.38 among men and from 1.28 to 1.55 among women (Freeman 1999, p. 99). However, in Denmark, France, Holland, Sweden and some other countries, the gains in earnings of college-educated workers did not outpace the earnings growth of workers completing lower secondary education (Teichler

1999, p. 261). Indeed, Teichler points to research suggesting that the growing supply of highly educated European workers has been surpassing the growth in occupations traditionally requiring high levels of education. Certainly, in recent years, the wage gap between university graduates and upper-level secondary school graduates has been much lower in most other OECD countries than in the U.S. (Stern 1999, p. 212).

Recap on Youth Problems

While youth unemployment has been falling in the U.S. and rising in other OECD countries, all OECD countries face questions about their education and training systems for all youth as well as how to deal with the special problem of low-income, less-educated youth. There is a growing awareness that the rising levels of education are desirable and necessary for raising the share of youth who enter rewarding careers, but that an education expansion strategy by itself is not sufficient for ensuring that more young people do well in the job market. The next section examines the policy experiences with regard to broad-based education and training. Section 3 shifts the focus toward policies for the economically disadvantaged and for less-educated workers.

2. Emerging Consensus on Preparing All Youth for Careers

Differences Across Countries In Initial Preparation for Careers

The preparation of young people for careers continues to vary widely across OECD countries. Several OECD countries, including Germany, Austria, Denmark, Luxembourg, and Switzerland, use a dual system of employer-based apprenticeship and school-based vocational education. These countries use formal systems with recognized occupational qualifications for most of the young people who do not complete universities and even for some who do attend

universities. Employers in these countries typically use the vocational qualifications embedded in the apprenticeship system to organize their jobs, recruit and retain their work force, and plan their training. The majority of young people focus on the attainment of occupational credentials; only a minority emphasize educational degrees as the primary vehicle for entering careers.

In contrast, other countries give priority to educational credentials. In these countries, youth are often judged based on their performance along an academic hierarchy. But educational credentials are often general, typically leaving only a loose relationship between education and specific jobs.

Within the many countries emphasizing educational credentials, one group, including France, Italy, and Spain, provides a good deal of vocational education but with few solid linkages with employers. In these countries, youth unemployment rates are extremely high and high school students rarely combine work and schooling (Werquin 1999).

Japan is distinctive in relying on schools to sort students and on employers to provide occupational training (Mitani 1999). Sorting takes place as students enter one of several types of high schools. There are general high schools of varying quality and vocational schools, including commercial, industrial, agricultural, nursing, and fisheries schools. Employers recruit directly through semi-formal contracts with individual high schools. Firms give job offers to schools according to the rankings of the schools. Schools recommend students to employers, who rarely reject the school recommendations. This policy gives teachers a major influence on student career outcomes and gives even students not planning on post-secondary education an incentive to perform well in high school. Having learned enough in school to earn a recommendation, the student is prepared for the extensive training provided by employers. The knowledge that young entrants will be trainable, coupled with the restrictive hiring policies that discourage movement

between jobs, gives firms an incentive to provide serious training. This system, known as *Jisseki Kankei,* opens career jobs even for young people entering the work force with only a high school diploma. However, only 30 percent of high school graduates directly enter the labor force, and only half of these entrants take jobs through the companies that have semi-formal or implicit contracts with schools.

Japanese recruitment policies are distinctive in hiring groups of school leavers at once for general staff positions and not for a particular job within the firm. Almost all new high school graduates enter as full-time regular workers, not in temporary or part-time jobs. The lump-sum hiring reduces personal management costs and training costs (since firms can provide training to all new entrants at once), and facilitates training which permits young workers to move from one job to another. In the OECD report, Ryan (1999) suggests that although adaptations to the Japanese system are necessary to improve the quality of the job matching process, the system demonstrates that institutionalized school-employer linkages can reduce matching problems and avoid excessive turnover, thereby improving the early labor market experience of young workers.

The U.S. is a decentralized system, offering little school-based vocational education. Mechanisms for job-matching and training for occupational qualifications are informal and complex. However, like Canada, Japan, and Sweden, post-secondary education is relatively open, providing an incentive for young people to finish high school, especially since high schools do not offer work-based qualification alternatives. The system is also similar to that of Australia, New Zealand, and the United Kingdom, which all use upper secondary education mainly to identify and prepare candidates for university education. In the United Kingdom, a large share

(53 percent) of new school leavers have been entering the job market without a secondary school degree and with little institutional support.

The U.S. lacks well-recognized standards and meaningful credentials for vocationally-specific skills (Hamilton and Hamilton 1999). And, unlike Japan, no self-reinforcing mechanism operates in the U.S. to align the incentives of students, schools, and employers in ways that encourage students to work hard in school and give employers strong incentives to provide in-depth training for young, entry-level workers. What the U.S. does have is a flexible labor market in which people can move smoothly from one job to another, in which firms face few mandates that discourage hiring, and in which students can gain general work experience by taking part-time jobs while attending school. U.S. students have access to a continuum of post-secondary educational alternatives, including community colleges, state colleges, and selective state and private universities. They can move in and out of school almost at will. Unfortunately, while many gain valuable work experience in the process, few take jobs linked closely with their schooling (Haimson, Hersey, and Silverberg 1998) and the majority of the cohort (perhaps 60 percent) end up with no meaningful qualification beyond a general high school diploma.

Moreover, in the wake of the school standards movement, students in the U.S. have moved further away from vocational education in high schools. Between 1982 and 1992, a large drop took place in the proportion of high school seniors in vocational programs (from 27 percent to 11 percent; black and Hispanic seniors experienced the largest declines in vocational programs, falling from 32 percent and 38 percent in 1982 to 13 percent and 17 percent in 1992.) These transfers out of vocational education did not bring much of a shift toward academic programs. The 18 percentage point drop in vocational programs led to only a 6 percentage point

increase in the proportion in college prep or academic programs. Instead, many young people turned to the general diploma, the least demanding program.

Effects of Alternative School-to-Career Systems

A recent comparative analysis of school-to-career systems by Shavit and Muller (1998) classifies country programs along three dimensions: 1) *stratification* (separating young people into vocational and academic categories by the high school level); 2) *standardization* (the development of meaningful national or widely accepted standards that apply to all who earn an academic or vocational certification); and 3*) vocational specificity* (education and training for a specific occupation).[8] These attributes are often, but not always, found together. Countries that rank high on vocational specificity usually stratify students, but may or may not have high levels of standardization. For example, Germany, Denmark, Switzerland, and the Netherlands educate youth in specific fields that provide portable, well-recognized qualifications; in contrast, vocationally specific education has not always led to highly valued qualifications in Australia and the United Kingdom. Shavit and Muller hypothesize that qualifications matter most for careers when educational systems have high levels of standardization, stratification, and vocational specificity. Educational qualifications become less important the higher the proportion is of youth earning college degrees. Finally, high levels of vocational specificity improve the chances of young people finding a skilled, blue-collar job over an unskilled job.

Their findings corroborate some but not all of their expectations. One of the most important is that countries with well-developed, vocationally specific programs provide more

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[8] Unlike the specific training construct used by labor economists, in which the training is specific to the firm, the Shavit-Muller concept of specific training is only limited to an occupation and thus the benefits of the training may improve the workers skills outside the firm providing the training.

opportunities for young people, including those from low-income families, to enter skilled careers. Moreover, the authors report that there is no educational alternative that effectively substitutes for well-developed institutions delivering vocationally specific training. Countries lacking such institutions simply provide fewer good career opportunities for those without a BA degree. A second interesting conclusion is that while stratifying youth into different education tracks weakens the quality of educational opportunity, it can enhance the occupational opportunity of students, as fewer drop out of school into unskilled positions and fewer remain without at least some marketable qualification. Third, increasing the numbers of students with college degrees tends to weaken the effects of qualifications on career success. Fourth, the authors find that the specific form of occupationally specific training may be critical. The use of employer-based, apprenticeship training (as in Germany and Switzerland) yields considerably better outcomes than the school-based vocational approach used in the Netherlands.

In its 1998 *Employment Outlook*, the OECD agrees with these conclusions, arguing, "One clear result is that apprenticeship-type systems work best in giving non-university-bound young people a good start in the labor market. In spite of the challenges they currently face, dual systems provide an attractive model." Although the OECD goes on to cite the difficulties involved in setting up such systems, it suggests that, "the creation of training opportunities comparable to apprenticeship will be of importance, especially for at-risk youth."

New Theoretical Support for Employer-Based Vocational Education

These findings on the potential of vocational education run counter to arguments often heard in the U.S. against vocationally specific preparation for the job market. One rationale for avoiding career-focused programs is the public's aversion to any type of stratification that channels students into separate fields. The concern is that school-based vocational education can

be a dumping ground for weak students; it allows schools to take the easy way out instead of making sure all students learn. A second is that school-based vocational education programs teach skills that easily become outdated and diverts students from learning high-level academic skills that all people require. Too often, the offerings in school-based vocational education programs depend less on market demands than on available teachers, materials, and frequently outdated equipment.

The argument against *employer-based* vocational education comes from human capital theory. According to a simplified version of this theory, employers will only pay for training that is specific to the firm and not useful outside the firm. Training workers for general skills would not prove worthwhile because the returns to training would accrue entirely to the worker. If the training firm did not raise wages by the training-induced gain in productivity, workers could move to another firm and obtain wages equal to their higher level of productivity. If firms have little incentive to offer general training, the type of training firms would finance specific training is too narrow to serve as the basis for preparing youth for careers.

Recently, several authors have challenged aspects of human capital theory used in arguments against employer-based vocational training. Acemoglu and Pischke (1999) provide a theoretical justification and empirical findings suggesting employers may well provide general training to workers. Theoretically, employers may well have an incentive to finance general training in the real world of transaction costs in the labor market, such as matching and search costs that make it difficult for workers to quit their jobs and costly for firms to replace their employees. According to Acemoglu and Pischke, these search costs create a potential surplus that can be gained by employers and/or workers when they avoid turnover. The ability of firms

to obtain some part of this surplus causes the productivity gain from added skills to rise faster than wages. This wage-productivity gap presents an opportunity for employers to profit from their investments in training, even general training.

Asymmetric information is another reason why training may raise productivity faster than wages. Firms providing the training may know more about the content and value of training than outside firms. As a result, outside firms will not be willing to compensate the newly trained workers by an amount equal to their increased productivity. A second form of asymmetry arises when high-ability workers benefit more from training than other workers. Since firms are most likely to lay off the low-ability workers who received occupational training, outside firms will assume that the trained workers available in the market are the least capable of those trained. As Soskice (1994) argues, apprentices leaving firms where they received training are difficult to screen. Companies are not likely to keep workers who are difficult in one way or another. High-ability workers will not be able to quit and demonstrate their high ability to outside firms. Thus, the firm providing the training can keep the highly productive worker without paying the full value of the enhanced productivity.

The interaction between specific and general skills is another reason firms may sponsor training. The ability to benefit from general training (use a particular piece of software) may increase when the worker knows the goals of the company (specific training). As a result, the higher the worker's general skills, the more valuable the specific training provided by employers who recoup some of the benefits from specific training.

The theoretical points developed by Soskice and by Acemoglu and Pischke suggest that employer incentives depend partly on the institutional structure, that some structures yield a high-retention, high-training equilibrium that is consistent with employer and worker incentives and

that others do not. Because of the problem of asymmetric information noted above, companies who do not train their own apprentices but attempt to hire from other firms will have a higher than average probability of hiring a less-effective skilled worker. However, the size of the gap between the average ability of internally trained and externally trained workers will depend on the percentage of trained workers who quit. If a large percentage of capable workers receive general training and only a small proportion quit, then hiring skilled workers from the outside will be risky and training one's own workers becomes attractive. On the other hand, if few firms train and most workers move frequently from one firm to another, then hiring a worker trained elsewhere will be more profitable and fewer firms will have an incentive to train.

Encouraging a high training equilibrium is likely to improve outcomes for young workers. One way to achieve this approach is to develop an infrastructure promoting apprenticeship or other types of industry-sponsored occupational training and certification. According to a review by Ryan (1998) cited in the OECD report, apprenticeship generates gains in employment and earnings not only relative to job training programs but also relative to full-time school-based vocational education. On the other hand, evidence from a study in France found that apprenticeship does the most to raise short-term success in the job market but that school-based vocational education raises long-term earnings more than does apprenticeship. This result may have to do more with the lack of maturity of the French apprenticeship system than with the inherent advantage of school-based vocational education.

Influence of New Consensus on Career Preparation Systems in Other OECD Countries

The new recognition of the positive aspects of employer-based training, especially apprenticeships, is encouraging several OECD countries to strengthen their career-oriented

education and training systems. Since 1994, Norway has taken several steps integrating apprenticeships into a new pathway in secondary schools, broadening the content of training and the range of occupations covered, reducing apprenticeship wages, creating cooperative mechanisms for assisting small firms to train, and involving employers and labor representatives in the design of the reforms.[9]

France introduced new measures in 1987 to encourage apprenticeships and to incorporate apprenticeship training in high level diplomas. As a result, new apprenticeships increased by over 50 percent in four years; as of 1997, apprenticeships reached 13 percent of employees less than 26 years old. Ireland has restructured its apprenticeship system to offer broad training in the initial stages and specialized skills in later training and to base certification on achieving recognized standards instead of time spent on the program.

The United Kingdom is attracting an increasing number of participants into its Modern Apprenticeship (MA) scheme, introduced in 1993. MA covers a wide range of occupations (76 sectors), requires a high standard of attainment, and offers outlets for further education. As of February 1998, there were 117,000 apprentices in this relatively new program. The key to this program and the quality of vocational education is the establishment of a framework of nationally recognized qualifications. The United Kingdom uses the General National Vocational Qualifications (GNVQs) to certify courses providing full-time vocational education and the National Vocational Qualifications (NVQs) to certify employer-based vocational training. Each system allows workers to reach various levels of qualification within fields. But NVQs are controversial. Critics claim that they simply add another layer of qualification without improving

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[9] Bowers, Sonnet, and Bardone (1999) discuss the expansion of work-based learning described in this and subsequent paragraphs.

quality of education, and some worry that the modular format of the NVQs and the training system tempts young people to leave their studies before earning a full qualification. However, if employers expand their use of the system, the improved access to occupationally relevant credentials will encourage students to obtain more training.

Australia is attempting to strengthen and add flexibility to its "New Apprenticeship" program by promoting the approach in emerging industries, offering flexible mixes of training and work, assisting firms with off-the-job training, and linking training to nationally portable qualifications. In an interesting innovation, Australia uses Group Training Companies to recruit and place apprentices and to encourage structured training in retail and tourism fields. These companies receive fees from participating employers as well as support from the government. In an effort to strengthen the workplace component within secondary vocational education, Australia has established school-industry programs to expand opportunities for high school seniors to have a structured learning experience in the workplace that is assessed and accredited. Although 60 percent of schools provided such a program, only 12 percent of seniors participated.

Sweden is another country that moved to strengthen its vocational education system in the 1990s. A primary component was the restructuring of its upper secondary schools into 14 vocational and 2 theoretical programs. It also extended vocational programs to three years. Although work-based learning is not as important in Sweden as in countries relying on apprenticeships, the programs do require unpaid work experience in structured work settings to comprise at least 15 percent of a student's time.

These programs are notable examples of actions among OECD countries to reinvigorate vocational education as a primary tool for upgrading their school-to-work systems. In most

cases, the emphasis is on programs with a significant apprenticeship or other employer-based training component.

This emerging OECD consensus on the value of apprenticeship programs is increasingly supported by policymakers and academic observers. Ryan (1999) stated in his closing remarks at the OECD conference that the German mass apprenticeship system is one of two leading examples of institutional success in the school-to-work area (the other is Japan's *Jisseki-Kankei* system of school-employer linkages). He see gains for youth in the form of lower joblessness and greater access to skilled work, in addition to gains for the economy in generating high stocks of intermediate skills vital to the productivity and trade performance of Germany industry. Brynner (1999), another British expert on youth transitions, points out that the system is effective in spite of the fact that most young people do not end up with the employer who trained them. To Brynner, the German system builds up a young person's employability within a highly motivating framework in which young people become members of an occupation not only by earning an occupational qualification but by gaining experience in the field. The exposure to work practices and work-based learning in a protective environment helps young people establish positive careers in the labor market even if they do not stay with their initial firm or occupation.

The key question posed by Ryan is not whether an apprenticeship system can be effective in modern economies, but whether national institutions can be developed to provide the infrastructure for such a system. Certainly, some countries have managed to make the necessary reforms. Even in Germany in the late 1940s and early 1950s, some favored scrapping what was viewed as the low-quality, traditional apprenticeship system. However, by instituting a range of reforms in apprenticeship in the 1960s, Germany, Austria, and Denmark were all able to establish a firm institutional basis for this type of work-based training. Ryan contrasts these efforts (and

those of Japan) to create well-structured transition systems, with the succession of poorly-funded, targeted youth programs in the U.S. that have little continuity and limited ability to develop broad-based systems. Ryan argues that both "the U.K. and the U.S. would be better served by a sustained effort geared to longer-term institutional development than by short-term policy innovation."

Changes in the U.S. System of Initial Preparation for the Job Market

The strong support in OECD countries for vocational education, especially work-based training, contrasts with the mixed messages coming out of competing U.S. policies. On the one hand, the 1994 School-to-Work Opportunities Act (STWOA) has promoted career majors and work-based learning. Career academies are expanding rapidly in some cities and states, and a few have established youth apprenticeship programs (Stern 1999). Career magnet programs, internships, job shadowing, school-based enterprises, and service learning programs are becoming more common as well. Stern argues that the development of integrated vocational and academic pathways appears effective in stimulating additional college attendance among low-income students and minorities, as the programs help students gain confidence in their ability to master academic concepts when those concepts are applied to concrete work-related practice. In Philadelphia, the school system is working to broaden the career academy approach to nearly all students and to help all high school students have at least one paid internship. Comparisons between students with work-based learning and all district students suggest gains in attendance, graduation rates, and grades taking place as a result of the internships and related activities. A study of a random sample of high school seniors in New York state found that those who actively participated in school-to-work activities were more likely than non-participants to work in

challenging jobs that involve problem-solving, creativity, and learning new skills, were more likely to have jobs that are connected with schooling and courses, were more likely to have definite career goals, and were slightly more likely to attend four-year colleges.[10]

Recent evidence from an experimental evaluation of career academies being conducted by the Manpower Demonstration Research Corporation (MDRC) provides some support for Sterns argument. For the most at-risk students, participation in career academies significantly lowered dropout rates from 32 percent to 21 percent, doubled the share taking a core curriculum from 16 percent to 32 percent, and raised the share in youth development activities from 55 percent to 63 percent. However, neither high-risk nor low-risk career academy students showed gains in academic test scores over other students. Because the most recent data cover only students in their senior year of high school, there are no findings yet concerning the key issue of how career academies influence the early job market experience of students.[11]

Despite a number of initiatives involving education with a career focus, very few students in the U.S. are taking part in intensive career-oriented programs that include work-based and school-based learning. Of students in eight states that were part of an evaluation of the school-to-work program, only 13 percent had a paid or unpaid internship linked to school (Stern 1999). The administration of the STWOA program at the state and federal levels has done little to develop intensive work-based learning and broadly recognized occupational credentials. Moreover, state and national policymakers have focused most of their attention on raising

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[10]The limited information on Philadelphia and New York state evaluation is available at the evaluation section on the website of the U.S. National School-to-Work site, www.stw.ed.gov.

[11] These early results were reported by MDRC staff at a seminar sponsored by the American Youth Policy Forum held in Washington, DC on January 21, 2000.

academic standards through increased testing and accountability. Few educators are engaged in efforts to expand quality career pathways for those not obtaining a BA.

If they are to learn from the experience of other OECD countries, U.S. policymakers should refocus on systemic changes in the nation's school-to-career system. Developing large-scale, intensive work-based approaches in combination with school-based courses is difficult in a federal system. However, federal leadership can do more to stimulate state and local authorities to build more intensive school-to-career systems. The federal effort to create voluntary national skill standards is one important step. Another is to reinvigorate the school-to-work initiative by encouraging intensive programs with integrated school-based and work-based learning that lead toward a occupational skill certification as well as a high school diploma.

3. Approaches for Dealing with Disadvantaged Youth

Interaction Between Policies for Disadvantaged Youth and All Youth

The size of the at-risk pool depends partly on the ability of the mainstream education and labor market systems to integrate the majority of youth into constructive careers. Since, according to the OECD report, early adverse experience in the labor market has long-term negative effects, a weak initial preparation system ends up adding to the costs of second-chance programs. According to Ryan (1999), the presence of scarring effects from early failure in schooling and the labor market underlines the importance of school-to-work policies. For these reasons, we must view initiatives aimed at helping disadvantaged youth in the context of the normal pathways through schooling and the labor market.

The severity of the problems of the typical young person and of disadvantaged youth varies across OECD countries. In countries that provide quality pathways for young people not completing BA degrees (Germany, Austria, Switzerland, Denmark, and Japan), the transition to careers and adulthood are smooth and the youth unemployment rates are low relative to adult rates. These countries are able to focus on whatever residual problems remain for selected groups of young people and make only modest improvements in their existing school-to-work systems. In high-unemployment countries such as Belgium, France, Greece, and Spain, the government must concentrate on broad policies that affect a large segment of the youth population. Demand measures are common as these countries try to reduce the extremely high levels and duration of their youth unemployment. Finally, although aggregate unemployment rates are low in the U.S. and United Kingdom, both countries provide weak pathways to productive careers outside the BA framework and share a particular concern with the plight of at-risk youth. Several OECD countries face major challenges in dealing with disadvantaged youth. As of 1996, 38 percent of the young unemployed had been without a job for at least a full year (Nicaise 1999). In an editorial in the 1999 *Employment Outlook*, the OECD reports, "A hard core of young people experience prolonged periods of unemployment or joblessness interspersed with spells of low-wage employment. This group exists in most OECD countries and is characterized by multiple disadvantages, e.g., they often come from poor families, unstable family backgrounds, live in communities with high overall unemployment, tend to perform poorly in school and often drop out of school early." The editorial calls for broad reforms in the school-to-career transitions and vocational education of the type discussed above, but also suggests dealing with at-risk students as early as possible and continuing to experiment with

targeted programs for disadvantaged youth, especially since the record so far has been disappointing.

This section examines the programs that have been tried in other OECD countries and the U.S. to help disadvantaged youth succeed in the labor market and the lessons from these interventions. We classify programs by type and examine the experience in the U.S. and other OECD countries. In addition to drawing on national programs, the section considers some local initiatives, including some highlighted by PEPNET and by the American Youth Policy Forum (1997, 1999) and the National Youth Employment Coalition (1996). Although countries have tried a wide variety of approaches, credible evaluations exist only for some of the programs.

Local Employment, Training, and Job Search Programs for Low-Income Youth

Perhaps the most extensive research effort involved a random assignment evaluation of the Job Training Partnership Act (JTPA), a nationally funded, locally delivered program aimed at improving the employability of low-income youth. Under JTPA, local service delivery areas (SDAs), which were formed by one or more local governments, provided or contracted for services to help young workers raise their educational levels, upgrade their occupational skills, and find jobs. Local community-based organizations, community colleges, public schools, and private for-profit occupational schools have been among the frequent providers of services. After participants received an assessment, they participated in one or more of a variety of activities, such as basic education, job search assistance, classroom training in occupational skills, on-the-job training, or work experience through temporary, subsidized public jobs. The youth

component of the study covered the year-round programs for out-of-school 16 to 21 year-olds but not programs for in-school youth.[12]

Access to JTPA did increase the utilization of education, training, and employment services, with about 53 to 62 percent of the experimental group given access to services taking advantage of at least one form of education, training, or employment assistance, a rate about 25 percentage points higher than the utilization of similar services by controls. The experimental youth spent an additional 180 hours in training or related services as a result of their access to JTPA. This stimulus for participation in education and training exerted only a modest effect on the attainment of a high school diploma or GED. The measured effects on earnings were even more disappointing. None of the three youth experimental subgroups saw their earnings rise relative to the earnings of those in the control group. In the period beginning 19 months after applying for JTPA, neither females nor males in the experimental group showed any earnings gains relative to their control groups.

One possibility is that JTPA failed because the added gains from training were offset by the loss of work experience obtained by controls during the training period. Another reason for failure is the program's limited funding, with funds averaging only about $1,900-$2,800 per enrollee in 1996 dollars.

Intensive Interventions Aimed at Helping Low-Income Youth

Unfortunately, experimental evidence shows that most intensive interventions did little or no better than JTPA. JOBSTART was a demonstration program aimed at testing whether an intensive program run in a nonresidential setting could be cost-effective.[13] Indeed, three of the

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[12] The evidence on JTPA comes from Orr et al. (1995).

[13] This section draws on Cave et al. (1993).

thirteen local operators running JOBSTART were Job Corps centers. The program embodied 1) instruction in basic skills, with self-paced learning; 2) occupational training involving both classroom activity and hands-on experience in high-demand occupations; 3) training-related support services including transportation, child care, and life skills training; and 4) job placement assistance. The program dealt with highly disadvantaged youth: high school dropouts (100 percent), minorities (black or Hispanic) (90 percent), women living with their own children (26 percent), and youth who did not live with both parents at age 14 (65 percent).

JOBSTART substantially increased the receipt of education, training, and employment services, with almost the entire increase taking place during the year after application. The program raised the receipt of GEDs and trade certificates, especially among male youth. Unfortunately, for the sample as a whole, the program yielded few or no gains in earnings, employment, reduced child-bearing, or criminal activity. Even by the fourth year after the program (three years after nearly all of the added training), the experimentals had virtually the same rate of employment and no statistically significant rise in earnings.

Given that increases in educational levels generally raise earnings, Cave and Bos (1996) wondered why no significant earnings gains emerged from JOBSTART despite the program's positive and significant impact on educational attainment. Using special matching techniques, they concluded that JOBSTART exerted a positive and significant impact on the earnings of the group induced to attain a GED by the program but not on any of the other three groups.

Other subgroups appeared to benefit from JOBSTART, though the effects were uneven and only occasionally statistically significant. By the third year after random assignment, participation in JOBSTART raised the earnings of males with a prior arrest record (before

assignment to the experiment) and youth who left school for school-related reasons. The evidence of a sustained gain from the program was most striking among males with prior arrests; within this subgroup, those assigned to an experimental treatment earned nearly $7,000, about $1,900 more than controls.

Intensive Training in a Residential Context

Job Corps is the most intensive federally sponsored program aimed at helping out-of-school youth enter employment, costing on average as much as 10 times the amount of JTPA. A key feature is to take young people away from inner-city ghetto areas and other declining neighborhoods and place them in facilities with continuous supervision and discipline. Unlike most other programs, the federal government is responsible for operating the program, contracting with providers, and monitoring the results. Private firms operate a large share of the Job Corps sites.

Using a comparison group methodology (not a random assignment experimental approach), evaluators (Mallar et al. 1982) studied the Job Corps as it operated in the 1970s and found that despite its high cost per enrollee, evaluators projected benefits that exceeded program costs. Job Corps raised the rate of high school graduation or attainment of a GED by almost 20 percentage points (24 percent vs. 5 percent), reduced criminal activity as indicated by arrest rates, and increased the earnings per week of Corps members by about 10 percent and employment per year by about 15 to 20 percent. Unlike most other training programs, in Job Corps, males gained as much as or more than females. The estimates revealed a large and continuing advantage in employment rates of Corps members that did not erode over the post-program period. However, because Job Corps draws from a particularly disadvantaged population, the employment and earnings of Corps members were low even after a beneficial program effect. Overall, the

employment rate of these out-of-school youth amounted to only about 52 percent, even after the intervention.

Since these evaluation results come from a study of Corps members entering the program 20 years ago, one must be cautious about the positive impacts of Job Corps. Findings from a GAO study are sobering. The GAO found that only 36 percent of enrollees completed vocational training, that only half found even low-skill jobs related to their training, and that job turnover was high. Before drawing strong conclusions about this approach, policymakers should await the results from a random assignment evaluation of Job Corps that will soon be released.

The Gulf Coast Trades Center offers a recent local example of an education and training program in a residential setting for out-of-school youth, most of whom have criminal records. The program again emphasizes a combination of vocational and social skills that can lead to employment. It offers a range of services, including assessment, counseling, occupational training, academic training, social skills training, career counseling, work experience, job placement, and follow-up activities. Students are expected to engage in community service. Many gain work experience though positions at local area non-profit organizations. Over the past five years, the Center enrolled 1,700 youth, of whom 80 percent graduated with a certificate in one of nine approved trade programs and 62 percent found trade-related jobs. Although the program has not been subject to a rigorous net impact analysis, the outcomes for a group of highly disadvantaged youth look promising.

Programs for Young Single Parents

Two major demonstrations provided social services, remedial education, counseling, child care, training, and job search services to young single mothers with severe disadvantages. The New Chance program included a mentoring program using community-based individuals to help young women with childrearing, pregnancy prevention, and drug and alcohol abuse. This program failed to raise the employment or earnings of participants and, in fact, New Chance participants fared worse than the control group on several indicators of well-being.

The Minority Female Single Parent (MFSP) demonstration emphasized the improvement of basic academic skills, but also offered an array of services, life skills training, and help in finding jobs after the program. Overall, participants did not achieve gains in employment and earnings over the control group. However, the Center for Employment and Training (CET), one of the four organizations delivering services to single parents, helped participants a great deal. CET emphasized occupational training for existing jobs in the community, along with instruction in basic skills, close ties with employers, and an on-site child care center. By the fourth quarter after enrolling in MFSP, participants in the CET sites were employed 24 percent more, earning 39 percent more per month, and 13 percent more per hour than the control group in CET sites (Gordon and Burghardt, 1990).

Enrichment of Summer Youth Employment Programs

The Summer Training and Education Program (STEP) aimed to help youth still enrolled in school but at high risk of dropping out to maintain or upgrade their basic skills by linking remedial classes with summer job opportunities. Academic capabilities normally erode over the summer, especially among low-income youth. For this reason, the STEP model included remedial classes for half the day and a job for the other half, together with efforts to help students see connections between the two components. STEP also provided counseling, guidance, and

tutoring over the next school year. Unfortunately, all of these elements did little to raise the school completion and employment rates of participants or to reduce their dropout and teen pregnancy rates. Evaluators (Walker and Vilella-Velez 1992) derived these results on the basis of a careful, random assignment study.

Like many programs, an intervention may fail because of a flawed concept or poor implementation. Grubb (1999) argues that the implementation of STEP was at fault, leaving open the issue of whether a well-executed program using this model would have succeeded. He found "the quality of work placements was poor, jobs required almost no school skills, job experiences were never incorporated into the schooling component, and teaching largely followed the conventional didactic, teacher-centered format with contrived materials that is so deadly to most students."

Direct Job Creation and Wage Subsidies[14]

In principle, providing disadvantaged youth with job opportunities even if the government directly creates the jobs has a natural appeal. Such programs give the unemployed the chance to produce, earn a basic income, enhance their skills, and avoid resorting to government welfare assistance. If youth can gain valuable work experience while producing something of value, one would think the programs could be highly cost-effective. However, if "creating" jobs is the primary objective, the jobs are likely to be artificial and produce little valued output. Workers will recognize the make-work, dead-end character of the program and find little that is

[14] This section draws on Lerman (1999).

motivating or skill-enhancing. Administrative and material costs may exceed any physical output of goods and services.

Targeted Jobs for Disadvantaged Youth Using Graduated Stress and Peer Support

The National Supported Work Demonstration tested the effectiveness of a highly targeted, well-funded work experience program for four hard-core groups of unemployed workers, including young high school dropouts as well as unemployed welfare mothers, drug addicts, and former criminal offenders. The project placed workers in jobs with graduated stress, peer support, and close supervision. Workers performed jobs in construction, manufacturing, business services, and clerical work. Although the program started in 1975, in the trough of a deep recession, most participants exited the program during the recovery of 1977-78.

The demonstration used an experimental design, randomly assigning applicants to treatment and control groups. Supported Work clearly increased the share of dropouts obtaining employment during the program period. For every nine jobs financed by the program, about six represented increased employment for young dropouts and about three replaced jobs that youth would have obtained in the absence of the program (Kemper, Long, and Thornton 1981). Moreover, the program produced some valued outputs. Unfortunately, these benefits were not enough to offset the program's high costs. With operating costs at about $4,000 per participant, the program would have had to generate significant increases in post-program earnings or improvements in some social indicators, such as reductions in crime or drug use. The data from the experiment, collected over a 27- month period, yielded little evidence of such additional positive impacts. Evaluators found that the social costs exceeded the social benefits of the program for youth (Maynard 1980). Even eight years after the work experience program ended,

youth who had been in the Supported Work treatment group fared no better than youth who had been in the control group (Couch 1992).

Linking Subsidized Jobs with School Continuation

In the late 1970s, the U.S. Congress mandated the Youth Incentive Entitlement Pilot Projects (YIEPP) to test the impact of providing jobs linked to staying in school or returning to school for low-income youth. YIEPP guaranteed part-time jobs during the school year and full-time jobs in the summer to all poor youth who stayed in school or returned to school. The goal of the YIEPP demonstration was to reduce youth unemployment while at the same time encouraging young people to graduate high school. Evaluators examined the impact of YIEPP by studying communities operating the demonstration and comparison communities with no demonstration.

YIEPP's record in dealing with the out-of-school group was mixed (Farkas *et al.* 1984). While the provision of jobs raised the employment rates of poor youth substantially during the program phase, YIEPP was unable to raise the high school graduation rate. In three YIEPP sites that fully implemented the program, only 47 percent of black 19 to 20 year-olds had graduated from high school as of fall 1981. Although the evaluators of YIEPP estimated a post-program gain in earnings of about $10 per week, the estimates depended on site comparisons that were less reliable than comparisons of randomly assigned treatment and control groups. Moreover, well after YIEPP, the unemployment rates of YIEPP eligibles (most of whom participated) remained extremely high, reaching an incredible 60 percent among black young adults.

Jobs in Youth Service and Conservation

The Conservation and Youth Service Corps program received initial funding in 1990 to expand work opportunities for 18 to 25 year-old out-of-school youth, produce goods and services beneficial to the public, instill a strong work ethic and a sense of public service, and enhance skills (Jastrzab, *et al*. 1996). Corps members participated in a variety of projects, including tutoring children, assisting in child care, escorting patients to examinations, planting trees along highways, improving parks, rehabilitating buildings for housing future participants, and helping clean up debris after a hurricane. About 70 percent of the work took place under the auspices of nonprofit institutions and the remaining 30 percent involved government agencies. More than half the Corps members were economically disadvantaged, and most did not have a high school degree or GED.

In four program sites, evaluators randomly assigned applicants to either a treatment group allowed to enter the program or a control status. They followed both groups for 15 months after entry into the program. The evaluation also examined the costs of the service corps programs, the value of the output produced in the programs, and the effects on participants over a relatively short follow-up period. The program then developed summary estimates of overall benefits and costs.

The program produced valued outputs. Using data from a representative sample of projects, the evaluators estimated the value of program output per service hours as averaging $13.24, with individual project values ranging from $8.64 to $15.18 per hour. Since the evaluators followed participants for only 15 months from the beginning of the program, they could say little about post-program impacts. The corps did stimulate some added employment—participants worked almost 40 percent more hours than controls (2,030 to 1,465) and earned $83 more per month. But more than half of the earnings of Corps members simply

offset what they would have earned in the absence of the service corps. Further, participation in the corps diverted members from obtaining certificates or diplomas from technical schools; 13 percent of controls but only 8 percent of Corps members earned these certifications. On the other hand, participation in the service corps reduced arrest rates by nearly one-third (from 17 percent to 12 percent). Another program benefit was that participants gained satisfaction from producing valuable services for the community and learning on the job.

The service corps results were particularly striking and positive for black and Hispanic males. The stimulus to work hours and earnings was especially large for both groups. In contrast, white male participants apparently sacrificed to become Corps members, as white males in the control group earned substantially more than their counterparts in the treatment group.

Despite a lack of information on the benefits from reduced crime and added work experience, the evaluators concluded that the social benefits of the service corps programs exceeded their social costs. The Conservation and Youth Service Corps appears to be a cost-effective way to utilize out-of-school youth, especially minority males. The provision of low-wage jobs that give young people a chance to serve their communities is a sensible approach to influencing both the citizenship and job market capabilities of disadvantaged youth. At this point, it is too early to determine whether the approach improves the chances of dropouts for success in the job market.

Subsidized Jobs in Housing Construction

Subsidizing jobs in construction in low-income neighborhoods is another way of providing a community service focus in combination with job creation. In the late 1970s, the Ventures in Community Improvements (VICI) demonstration provided work experience and

skills training in the construction trades, with projects ranging from home rehabilitation to home weatherization. The costs of the program were high, but so were the goals for increasing penetration in the construction trades and producing outputs in low-income communities. Researchers (Public/Private Ventures, 1982) estimated output values based on what it would have cost to produce the VICI output. Such costs may represent an overestimate of the value of output, since neither governments nor individuals were purchasing the output for their own sake. Still, the supply-based figures indicated a value of output averaging 42 percent of total costs and 114 percent of youth wages. Again, the variability across sites was extreme.

Today, the Youthbuild program sponsored by the U.S. Department of Housing and Urban Development employs youth to rebuild housing in depressed neighborhoods and provides classroom training in basic skills, in addition to occupational training. Like the Youth Conservation Corps, Youthbuild combines work with a public service component as well as supportive services and remedial education. Unfortunately, there are no estimates of the program's net impact on participants during or after the program nor on the program's efficiency in producing real outputs.

One example of an apparently effective Youthbuild site is the Casa Verde Builders AmeriCorps Program in Austin, Texas. In addition to emphasizing promptness, reliability, responsibility, and working in a team, the project has been able to build low-income dwellings and help rehabilitate a small community. The housing is built to a high standard, using innovative "sustainable construction" methods that result in lower utility costs and longer-lived structures. The program is part of the American Institute for Learning, a nonprofit comprehensive education and employment training program mainly for young adults. Participants spend about half their time in on-site construction activities and half in educational

activities, which include academic foundation skills, career preparation, and community service learning (the construction component). Nearly 80 percent of participants earned their GED from the program.

Subsidized Jobs in the Private Sector

Wage subsidies targeted to disadvantaged youth began with the 1978 passage of the Targeted Jobs Tax Credit (TJTC) program. When first enacted in 1978, the TJTC subsidized half of the first $6,000 (over $12,000 in 1998 prices) in first-year wages and one-quarter of second-year wages. The 1986 tax reform act limited the subsidy to 40 percent of first-year wages only.

About 9 percent of employed, eligible youth were hired under the TJTC by the mid-1980s (Katz 1998). The subsidy declined over time in generosity and in coverage, partly because of the concern that employers were using the credits to pay for workers they would have hired anyway. Another concern is one of stigma. The targeted nature of the subsidy requires workers to show that they are disadvantaged enough to qualify for a government subsidy. Two small studies (Burtless 1985; Hollenbeck and Willke 1991) indicate that employers interpret the designation of workers as eligible as a signal of lower quality; as a result, the value of the credit may only offset or be less than the added perceived cost of hiring eligible disadvantaged workers.

To analyze the impact of the TJTC on the employment of disadvantaged youth, Katz examined trends in employment before and after a change in the law taking hold at the beginning of 1989 that removed 23 to 24 year-old disadvantaged workers from eligibility. Katz estimates that TJTC accounted for about 3 percentage points of the 44 percent empoyment rate of 23 to 24 year-old disadvantaged workers. Put another way, Katz concludes that "40 to 52 percent of the

jobs receiving TJTC subsidies reflected net employment additions for economically disadvantaged 23 to 24 year-olds at a cost of approximately $1,500 (1991 dollars) per net job created." With earnings of disadvantaged workers amounting to at least $9,000 per year, the cost per job would be less than 20 percent of a workers salary. If these estimates are accurate, then the wage subsidy approach would be a far less expensive way to increase jobs for target group workers than PSE.

Other, less optimistic evidence about employer wage subsidies comes from two demonstrations sponsored by the Department of Labor in the late 1970s, the Wage Variation Experiment under YIEPP and a Job Search-Wage Subsidy demonstration project (Farkas et al. 1982; Casale and Lerman 1982). In one demonstration, employers were randomly assigned to one of three groups: one provided with direct cash subsidies and TJTC, a second to whom employment counselors marketed the TJTC, and a third exposed to neither treatment (Casale and Lerman 1982). The results were entirely negative. Virtually none of the treatment group firms hired any low-income youth.

Overall, the evidence on highly targeted employer wage subsidies is mixed, though moderately positive. The value of output of subsidized workers must be considerable, at least large enough to offset the employer's contribution to the cost of hiring them. And the largest U.S. wage subsidy program appears to have generated a substantial number of jobs for economically disadvantaged youth at a modest budgetary cost. At the same time, even this positive evidence is not conclusive, and other evidence points to negative signaling from highly targeted wage subsidies.

Vocational and Remedial Education with Close Employer Linkages

The Center for Employment and Training (CET) emphasizes a concurrent training-education design as well as learning in context, rather than the common sequence of education first, training second. Participants may learn math in the context of a building maintenance program. The training simulates what actually takes place in industry and operates at several competency levels. CET also stresses the development of close linkages with the job market to ensure that trained workers obtain jobs. It eliminates programs when a local job market is unable to absorb its graduates. The program also offers supportive services, remedial education, and training in job search skills. Participants must demonstrate their willingness to arrive at training on time every day, work effectively with instructors and fellow students, and take responsibility for their actions.

CET, a site in the JOBSTART demonstration, operated in San Jose, California. Of the several JOBSTART sites, only CET yielded statistically significant impacts in either direction. The apparent effect of CET's program was to raise earnings by an extraordinary 42 percent during the period two through four years after program entry. CET's success carried over to an initiative for minority single parents (the Minority Female Single Parent demonstration). Five years after program entry, minority parents who went through the CET program earned nearly 20 percent more than the control group. Currently, the U.S. Department of Labor is sponsoring replications of the CET program in other sites throughout the U.S.

Although the precise reasons for CET's success are not clear, Grubb (1999) suggests the following factors as critical. First, the program has a long history of close connections with employers, encouraging employers to use CET as a source of workers. Second, the combination of academic and vocational skills taught in the context of real work contributes to learning and

employability development. Third, in the bilingual environment, Spanish-speaking instructors emphasize the importance of learning English without breaking the Latino population's connection to Spanish. Fourth, support services are available on the site, such as help with immigration issues and child care.

Training and Employability with Close Industry-Specific Relationships

The Focus: HOPE program in Detroit, Michigan, attempts to prepare workers for careers in manufacturing, especially in the machinist trades. Local manufacturing industries, including those in the automobile industry, have close relationships with the program and can offer quality jobs with career ladders. The FAST TRACK program prepares mostly disadvantaged males, ages 17 to 23, for the Machinist Training Institute (MTI). The program provides instruction in math, reading, computer literacy, and other studies necessary for meaningful employment. Participants improve rapidly, raising their educational levels one to two grades over an intensive seven-week course. As with CET, Focus: HOPE makes a major effort to improve the attendance, cooperation, interpersonal skills, and work performance of participants. The record appears excellent, with 75 percent completing the program and 99 percent of completers finding jobs with an average wage of $9.50 per hour.

Another example of an industry-based program achieving significant success with disadvantaged youth is PROJECT CRAFT (American Youth Policy Forum, 1999). Managed by the Home Builders Institute, the educational branch of the National Association of Home Builders (NAHB), the program provides career training, support services, and participation in industry-sponsored activities, mainly for juvenile offenders. Participants obtain 210 hours of classroom training, 630 hours of work-based training in construction projects for local housing authorities, life skills training, job placement assistance, and case management services. A pilot

study of the program indicated that of 151 participants, 140 completed the program, 55 entered apprenticeship programs, and 94 worked in training-related jobs. The industry focus is a promising approach, in part because the program sponsors have a direct stake in the success of participants and the retention of successful graduates.

Employability Skills in a Highly Disciplined Setting

The STRIVE (Support and Training Results in Valuable Employment) program emphasizes the improvement of employability skills, such as dependability, teamwork, conflict resolutions, and taking direction without resenting a supervisor or the nature of the work. Participants attend a demanding three-week workshop. Trainers require promptness and call attention to those who are late before the entire group. Some applicants leave, unable to deal with the embarrassment or other rigors of the program. STRIVE refers applicants to other services in order to deal with non-attitudinal barriers to employment. While the STRIVE staff aim to find jobs with benefits and a chance for advancement, the program's philosophy is that no job should be viewed as a "dead-end" position. In Reno, Nevada, the program placed 80 percent of those who lasted the full three-week program and 75 to 80 percent retained their jobs for at least two years. The New York City site reports moving 11,140 men and women into unsubsidized jobs and maintaining a high retention rate. While STRIVE appears effective for many participants, there is no rigorous evaluation of its net impacts.

Approaches for At-Risk Youth in Other OECD Countries

High unemployment rates make improving labor market outcomes for at-risk youth a special challenge in other OECD countries. When jobs are plentiful but simply require training and work experience, at-risk youth can achieve adequate employment and earnings simply by

raising their qualifications. Supply-side strategies presume the problem is one of a lack of skills, work habits, or willingness to work. In fact, however, in many OECD countries, the demand is weak not only for at-risk youth, but also for adults and educated youth. With adult, prime-age men in France facing an unemployment rate of over 9 percent, it is not surprising that youth experience extremely high rates as well (22 percent for 15 to 24 year-olds in 1998). In the U.S., youth unemployment was only half the French rate in large part because of the high levels of aggregate demand for labor, as indicated by a 3.3 percent unemployment rate for adult men. Certainly, high unemployment does not plague all other OECD countries. Indeed, some OECD countries have youth and adult unemployment rates below U.S. levels.[15]

Another difference between the U.S. and many OECD countries concerns access to income transfer benefits. In the U.S., an unemployed youth will typically not have eligibility for income support unless he or she has built up enough work experience in covered employment to qualify for unemployment insurance or unless the young person qualifies for food stamps. In several OECD countries, unemployment or other cash income support benefits are available even in the absence of a work record. These countries can impose work and/or training requirements on young workers as a condition of benefit receipt. This is not an option in the U.S., since the government has nothing to withhold if young people choose not to participate.

What, then, are the strategies in OECD countries with and without low aggregate unemployment rates and/or low youth unemployment rates? One would certainly expect differences in outlook between officials looking at the two types of labor markets. The likely

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[15] In the Netherlands, for example, unemployment rates of 15 to 24 year-olds were only 7.8 percent in 1998 and adult male rates only 2.8 percent. Youth in Austria, Denmark, Germany, Japan, Portugal, and Switzerland all faced lower unemployment rates than did youth in the U.S. Austria, Denmark, and Germany are notable cases because their youth unemployment rates are low relative to their adult rates.

questions of importance in high-unemployment countries include the following: How should programs target their services when many young people are looking for jobs? To what extent do direct youth employment programs displace other workers? Do youth deserve a high priority in active labor market policies in the context of high adult unemployment? In the U.S., the key issues are how best to develop effective supply-side measures and measures that generate significant earnings gains in the future.

Improving School Outcomes for At-Risk Youth

Concerns about the low academic capabilities of at-risk youth are common in OECD countries. One approach to upgrading skills is to encourage out-of-school youth to return to the educational system.[16] Although efforts along these lines have proved ineffective in the U.S., the results look more promising in the Nordic countries. In Norway, special follow-up services have the responsibility of reintegrating early school leavers back into school, enabling them to complete a secondary education degree. The service works with school counselors, the public employment service, and health and welfare agencies. The service often attracts youth by using a combination of a trainee position within a firm (involving subsidized employment and/or on-the-job training) and schooling. The OECD report notes evidence that the follow-up service has been able to succeed in reducing dropout rates and drawing young people back into education along with employment.

A Mix of Services for Out-of-School, Unemployed Youth

A common approach is to draw on a range of services to help out-of-school youth find adequate employment. The mix may include remedial education, training, work experience, job

[16] For a review of educational initiatives for at-risk youth in OECD countries, see Mortimore and Mortimore (1999).

search assistance, support for a return to formal education, and even wage subsidies or subsidized employment. The European Council has pressed governments to "...offer every young unemployed person either training, retraining, work experience, or another employability measure before they have been unemployed for six months." Long-term unemployment is more common in these countries in part because of the duration of unemployment insurance.

Denmark, the Netherlands, and the United Kingdom are reaching unemployed youth by requiring active steps toward employability, such as training, subsidized work, and job search, as a condition of benefit receipt. Youth in Denmark have the right and duty to take part in normal education or special courses for at least 18 months and receive a stipend considerably below the level of the unemployment benefit. Surveys indicate this initiative has worked to lower unemployment rates without causing youth to enter the training. Apparently, the threat of having to enter a mandatory training program was enough to motivate some young people to leave unemployment for a regular job.

Under the United Kingdom's New Deal program, all young people who have claimed a Jobseeker's Allowance for six months must also active steps toward employment. The first mandatory step is called the Gateway program, which involves counseling and guidance for up to four months. If the young person still lacks a regular job at that point, she has a choice to enter subsidized work with a regular employer, take a job for six months in a job created in the environmental or voluntary sector, go into full-time education or training, or enter a self-employment position. Refusing to take any of these options will subject the individual to a benefit sanction. Policies along these lines are becoming common in Australia and Canada as well.

Encouraging Youth Entrepreneurship

Several OECD countries have policies that help unemployed young people start their own businesses. At least the United Kingdom, Sweden, Canada, and Italy have formal programs of this type. The targeting in Italy is relatively broad, covering 18 to 29 year-olds in the southern part of the country. The program offers generous financial assistance as well as training courses. Although evidence is lacking about the effects of this policy, an evaluation suggested that subsidized firms survive longer than unsubsidized firms, but only because of the continuing subsidy.

Direct Job Creation and Employment Subsidies in OECD Countries

Job creation schemes for youth are common in OECD countries. It is common for public agencies to sponsor jobs for unemployed youth in the community service and environmental fields. France offers positions as part of its New Services, Youth Jobs initiative. The Netherlands places youth threatened with long-term unemployment in temporary positions. New Zealand has its own Youth Service Corps, providing work and skill development through community projects. Austria, Italy, and the United Kingdom also provide such positions.

Often, the groups of youth targeted by these schemes are broader than the disadvantaged youth category commonly used in the U.S. This is not surprising, given the high youth unemployment rates in several OECD countries. Not only do broad employment programs cover those with adequate educational attainment, but often they include "youth" as old as 29. In the Swedish Youth Practice program, theoretically intended for initial work experience, the average participant had 15 months of work experience, and the 20 to 24 year-old entrants had more than two years of work experience.

France has the most extensive programs of subsidized jobs for young people in the nonprofit sector. Evaluations suggest that the impacts on participants are rarely positive and sometimes negative (Gautie 1999). Young participants in subsidized nonprofit jobs actually do worse in terms of earnings than they would have had they spent time unemployed before finding a regular position. The effects on employment of participants were also negative. Among the factors possibly at work are stigma, erosion of skills (or lack of growth in skills), and a lock-in effect, which keeps young people from moving to a more appropriate position. The evidence for negative effects may be overstated, given only the limited ability of studies to control for unobserved differences between participants and non-participants.

In the study of a Swedish work program, evaluators again found evidence for a lock-in effect keeping youth in subsidized jobs when some would have found regular positions. At the same time, the program appears to have prevented a deterioration of human capital that might otherwise have taken place during unemployment.

The evidence on wage subsidies in France suggests a mixed picture. Those that provide simple subsidies in low-wage, short-term jobs do little to improve the employability of young people as employers engage in high-turnover, low-skill policies. However, where subsidies are provided in combination with alternating classroom and workplace training, there is a positive impact on young people's employment but possibly a negative effect on wages.

One interesting point raised by Gautie is that countries with occupational labor markets where training is oriented toward an occupational qualification may have less reason to resort to wage subsidies than countries with strong internal labor markets and an emphasis on specific training. The argument is that an occupational system such as the German apprenticeship model allows for a "disconnect" between the wages of adults and the wages of youth. It is understood

that young workers take low wages in exchange for the acquisition of recognized occupational qualification, something of value outside the firm. Social partners participate in making sure that adequate training takes place to compensate for the relatively low wages. In contrast, in France and Sweden, wages are linked to jobs and there is no institutional framework for disconnecting youth from adult wages. Since employers have little reason to hire youth for positions paying adult wages, young people are relegated to temporary jobs before they can enter the primary labor market. In this context, government wage subsidies are an effort to offset the artificially high relative wages of jobs that would be available to youth if wages were flexible.

Production Schools in Denmark

Production schools in Denmark offer an unusual and appealing mechanism for integrating work and learning (Moeller and Ljung 1999). Established as independent institutions though local initiative with the approval of municipal authorities, the schools attempt to provide training in the context of production, classroom education, and guidance. The schools engage in direct production, but most of the financing comes from the state.

Applicants to the schools are under 25 and have completed at least nine years of education. They are typically young people who are not sure about their education or career path. Many have dropped out of a vocational training or secondary education program. The schools have a flexible framework, allowing students to continuously register and leave based on each youth's individual needs. There is no cost to the student in attending the school. Indeed, attendees receive a school grant, viewed partly as payment for the work youth carry out at the workshops.

The school provides a fresh start to all entering students, but then pays special attention to the youth's personal and social situation. Education aims at the personal development as well as the academic development of students. Student guidance is integrated into the training, taking place daily and in the social and work processes. Work takes place in small workshops, usually with six to eight students. The work assignments are integrated into the educational framework, but students do manufacture products that are expected to be sold. Students recognize the importance of maintaining a sufficiently professional standard and feel needed when they produce a real piece of work. The school attempts to create a coherent environment in which youth become part of a binding social and working community.

Although no formal evaluations have examined the net effects of the production schools, most participants found their way into constructive activities, including 37 percent continuing in a standard educational route and 20 percent in an unsubsidized job. Notwithstanding the limited information about program impacts, the production schools offer an interesting alternative for young people who do not thrive in the standard education and labor market structures.

4. Lessons from Existing Programs and Ideas for Demonstrations

Deriving lessons from research for employment and training strategies for youth is difficult. The lessons from the OECD experience are most instructive in the context of broad reforms of the U.S. school-to-career system. A strong consensus is emerging in most OECD countries that close institutional links between industries and schools are critical to aligning incentives of employers and youth so that employers are encouraged to hire and train students in career-oriented positions and students are encouraged to do well in school. Most countries are moving to strengthen vocational education, especially work-based programs that lead to a

certification and involve work-based and contextualized learning. In fact, the U.S. is one of the few countries not taking aggressive steps to promote apprenticeships.

The lessons from programs outside the mainstream education and labor market systems are clearer from the U.S. experience. However, many of the findings from rigorous evaluations are disappointing. In particular, standard training programs for disadvantaged out-of-school youth have rarely proved effective. Many programs provide only modest interventions and yield modest or no benefit. But even several programs that are relatively intensive, involve counseling, and provide social services have a dismal record.

The experience with job creation demonstrations is somewhat more positive. Such programs seem to result in only modest substitution of public for private jobs, and they create useful public outputs, with dollar value estimates that can be defended. Moreover, direct job creation toward a community purpose also leaves participants with a great deal of satisfaction and with a credible reference. Subsidizing wages in the private sector has mixed effects; the most promising models combine wage subsidies with training plans toward some certification.

One relatively new finding is that programs closely linked with industry sectors and those that offer realistic pathways to careers look promising. Industry-specific linkages allow organizations to tailor their training to real jobs and careers and to make good on promises to participants. This, in turn, increases the incentive for participants to perform well. The improved quality of participants encourages employers to work with the organization. The importance of close, informal relationships between agencies and employers should not be surprising, given the key role that informal contacts play in job finding. As agencies come to be

trusted suppliers, they can begin to work with local industry groups on policies to build job ladders, improve certification, and increase job retention.

Currently, the U.S. is moving in the direction of industry-focused approaches, especially through two major efforts to develop and promote the use of skill standards. Of particular interest is the initiative of the U.S. Department of Education's Office of Vocational and Adult Education to develop certifications in 16 industry clusters and to help develop and test curriculum. The industry clusters are already approved for use in reporting student enrollment in secondary and post-secondary vocational education programs. Another attempt at developing skill standards has been undertaken through the National Skill Standards Board (NSSB), established by the Congress in 1994. As of mid-2000, the industry standards sponsored by the NSSB were not yet complete and thus not yet in use by education and training providers and by employers.

Additional lessons will have to unfold from evaluations that pay closer attention to the precise content of the program, how operators of the program change in response to changing labor demand, and how the program instills in applicants the incentive to learn and train intensively. Until recently, national programs have paid only modest attention to linking the specific content of programs to the main barriers to employment found in the research literature. While programs often attempt to teach skills relevant to the workplace, few emphasize the development and testing of the most work-relevant skills highlighted in the report of the Secretary's Commission on Achieving Necessary Skills (SCANS) (1991)including listening, managing time and money, gathering and communicating information, working in a team, and serving clients. Few programs develop clear incentives or place strong demands on the participants.

Programs rarely develop solid pathways to careers. Few use well-structured combinations of work-based and school-based learning leading to competency in a skill standard. Few provide clear, transparent pathways by which participants know the impact of their extra efforts on their labor market success. Few have close linkages with employers and local labor markets that ensure placement for successful graduates and that adapt program content to changing labor force demands.

In separate efforts to identify successful elements for program success, the U.S. Government Accounting Office (GAO) (1996) and the U.S. Department of Labor (1995) found a set of components similar to the SCANS skills that appear most productive in any program aiming at helping disadvantaged youth. The two reports agree along major dimensions, yet few government programs actually include these components.

The keys from the perspectives of GAO and the U.S. Department of Labor are as follows:

1. Make sure that participants are committed to training and getting a job. One can require a small payment by participants and strict discipline after initial counseling.
2. Commit to removing geographic, attitudinal, family, and other barriers to finding and keeping a job.
3. Improve the skills employers require of all workers, such as dependability, working in teams, taking instruction, and resolving conflicts sensibly.
4. Link occupational skills training with the job market to make sure that employers can absorb successful graduates.
5. Integrate basic skills training with occupational training so that participants can learn by doing and can see the relevance of their skills.
6. Use individual case management to mentor participants and to help them overcome temporary setbacks.

The lessons derived by Grubb (1999) and highlighted in the latest OECD *Employment Outlook* focus on five related lessons. These are:

1. Understand the local labor market and target the jobs and careers with the most potential for growth and advancement. Programs can serve to supply large firms or particular industries with workers, but in doing so, they should consider the advancement prospects of young workers.

2. Develop an appropriate mix of academic (including basic or remedial) education with occupational skills and work-based learning. All three components are necessary in order for young people to gain the competencies for lifelong employability. The intensity of the academic and vocational education must be appropriate to the jobs targeted. Some programs are simply too short to have any lasting effects. Pay attention to the quality of the teaching. Programs in which basic skills, occupational skills, or workplace skills are poorly taught will, not surprisingly, yield weak outcomes.

3. Provide appropriate supportive services, including child care, counseling, and placement services.

4. Ensure that students have pathways to further education. One way to do so is to establish articulation agreements with community colleges and four-year universities. The key is to communicate to participants that the program is not limiting their opportunities, that doing well in the program will permit them to return to schooling at a higher level.

5. Programs should collect information about their results and use the findings to improve quality. In other words, programs should be learning enterprises.

One way to promote the fifth recommendation of Grubb's is for the U.S. Department of Labor to conduct more outreach and training for program operations staff. Approaches that can be documented should be replicated and diffused through the employment and training community. Federal support for training staff would then be highly productive. The expansion of training should become a very high priority for the U.S. Departments of Labor and Education, especially if the evidence regarding promising practices is as positive as expected. Federal policymakers who are encouraging added training in the private sector should follow their own advice and substantially expand the quantity and quality of training (including peer training)

provided to the enthusiastic and hard-working cadre of organizations working to provide second-chance education and training to the nation's out-of-school youth.

Ideas for New Demonstrations

What are the implications for the development of new demonstrations? What has not been tried that might have significant potential to help out-of-school youth or to prevent young people from leaving school without reasonable career prospects?

This section provides an outline of key concepts for demonstrations and a specific demonstration model for testing. We do not provide a full-blown analysis of the plan. We begin with the concepts that should be important guiding forces.

1. Recognize the full context of an individual young person's environment and aspirations, not simply the labor component. Existing programs are too often segmented into programs for out-of-school youth, for teen mothers, for unwed fathers, for ex-offenders, for people living in public housing, or for food stamp recipients. Unless a program understands the financial incentives facing a out-of-school young man, such as his child support obligations, income transfer benefits going to his family, or educational loan repayments, it may have trouble helping him achieve a productive career. The program may need to deal not only with the young person but with his entire family. Most unmarried, out-of-school men live with at least one parent through their early 20s. Some live with a young woman in a cohabiting relationship, often with a child.

A Youth In Families demonstration involving this principle would involve the following components:

- Youth training and related part-time employment. The goal would be for participants to attain certification in an occupational or industry area.

- Case managers who would analyze the financial incentives and family contexts of youth and work closely with other agencies to ensure that the young person and his or her family gain financially.

- The program would offer services for other family members, including parents and siblings of participants. All family members would have access to money management and asset-building courses. The sponsors would run weekend programs for the entire family, involving career information, sports, and cultural activities. Case managers would help other family members gain access to various services. In some cases, the program would offer help parents or siblings to obtain regular jobs and/or community service employment to raise their incomes.

2. Emphasize programs that can help young people develop careers and not simply employment. This will typically mean working with one or a few selected industry groups in the local and regional communities. The demonstration project could involve working closely with the National Skill Standards Board, with industry associations, and with SCANS skills. The RFP could ask for a project in which youth would have the opportunity to obtain a solid vocational qualification relevant to a particular industry and in which youth would see clear pathways in the field.

An Industry Academies demonstration that follows these principles would involve the following components:

- The U.S. Department of Labor would make grants to industry associations to develop and operate Industry Academies in selected communities. State and local governments would participate in the funding of the school-based component for participants, who would receive student funding if they were returning to a high school or attending a state or local community college.

- The components of the Academy programs would involve employment and training leading to an industry or occupational certification and, where lacking, a full high school diploma. The program would be of significant duration, often lasting two years. Participants would attend integrated academic and vocational classes for a four hours per day and work in a job within or closely related to the industry for four hours per day. The actual time allocation to work and education-training components might take place within a one-week or two-week period (five days at work and five days at school) or on a monthly basis.

- The industry associations would be responsible for the work-based and school-based components. In general, community colleges or alternative high schools would operate the school-based components. However, the sponsors could choose an alternative source that could deliver the schooling more cost effectively.

- Industry association sponsors would specify the types of training and work experience participants would receive while on their part-time jobs. The sponsors would also have oversight responsibilities to ensure that employers were carrying out their responsibilities.

- The combination of the school-based and work-based components would allow successful participants to attain an industry-approved certification.

- Once the association developed the program, applicants could be randomly assigned to the Industry Academy or to normal services. Nevertheless, the Industry Academy approach would be complicated to evaluate, because the impacts might vary by industry.

3. A related option would be to promote entry into existing apprenticeship programs and to expand apprenticeship into new arenas. Research should be conducted on how best to develop new apprenticeship programs connected to high schools and community colleges. Young dropouts might be lured back to school if the program combined education with an apprenticeship slot. Before the dropouts have access to this slot, they should demonstrate some stability and the ability to attain basic skills.

4. Continue to provide options for community service employment, but require sponsors to do better in linking graduates to future education, certification, and career options. The programs should emphasize the youth's contribution to his or her community at least as much as the program's benefits for the young person.

These and other demonstration options will require more in-depth analysis. But the approaches build on our current knowledge, emphasizing youth development over deficits, careers over jobs, asset-building over current income, integrated education and work experience over academic-

only approaches, certification and standards, and a family perspective. Operationalizing these principles and determining their effectiveness are important next steps in increasing the effectiveness and reach of youth programs.

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